


**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: JAN 17 2006

SUBJECT: Fiscal Impact Statement (Addendum): "Way to Work Amendment Act of 2006"

REFERENCE: Bill Number 16-286, November 22, 2005 Committee Print

Conclusion

Funds are not sufficient in the FY 2006 through FY 2009 budget and financial plan to implement the proposed legislation. There would be a potential increase of \$400,000 in FY 2006 expenditures and a total of \$2.7 million for the FY 2006 through FY 2009 period, primarily due to removal of the living wage exemption for Medicaid providers.

The proposed legislation establishes a requirement for a living wage in the District; creates a Job Opportunity Bank for low-income District residents; expands coverage of the District's First Source Employment Agreement Program, and extends the provisions of the District's Displaced Workers Protection Act to security guards and parking personnel.

This statement addresses amendments to Bill 16-286 included in the November 22, 2005 Committee Print and updates the cost estimates provided in the October 11, 2005 fiscal impact statement. The costs in the October 11, 2005 fiscal impact statement and the costs of the rate increase in this version of Bill 16-286 were funded for FY 2006 by the Way to Work Cumulative Cash Reserve Emergency Act of 2005 enacted on November 17, 2005.

Title I - Living Wage:

Background

The Committee Print makes the following changes in Title I of the bill:

- (1) It increases the hourly wage rate from \$11.25 to \$11.75 per hour, regardless of whether health benefits are provided.
- (2) It provides for adjustments in the living wage rate annually, instead of every two years, to reflect increase in the cost of living.
- (3) It removes the exemption in the earlier version of Bill 16-286 for provider agreements between the Medical Assistance Administration (MAA), Department of Health and any entity or individual providing medical services to D.C. Medicaid recipients.

Financial Plan Impact

Rate Increase from \$11.25 to \$11.75: The proposed rate increase would result in an additional cost of \$300,000 for District Government employees and contract costs for FY 2006 (half-year), and a total of \$2.1 million for the period of FY 2006 through FY 2009. The cost of the rate increase is funded for FY 2006 by D.C. Act 16-0209, the Way to Work 2006 Cumulative Cash Reserve Allocation Emergency Act of 2005.

Annual Cost of Living Adjustment: Providing for an annual cost of living adjustment instead of every two years would result in a modest increase of approximately \$100,000 over the four-year period of FY 2006 through FY 2009.

Removal of Medicaid Provider Exemption: An analysis of federal data on low-wage health workers in the District indicates that the proposed legislation could increase wage costs of Medicaid health care providers by \$2.9 million. However, workers covered by existing collective bargaining agreements are exempt from the bill's provisions and health care workers employed by the District Government are accounted for in the rate increase estimate. The net cost estimate after adjusting for unionized workers and government workers is \$2.4 million. Since the federal government pays for 70 percent of Medicaid costs, the District local funds cost would be 30 percent, or \$720,000 on an annual basis. The unfunded cost of the Title I amendments is shown in the table below:

Estimated Impact to the Financial Plan					
(S in Millions)					
Item	FY 2006	FY 2007	FY 2008	FY 2009	4 - Year Total
Annual COLA ¹	0	0	0	\$0.1	\$0.1
Medicaid ²	\$0.4	\$0.7	\$0.7	\$0.8	\$2.6
Net Annual Impact	\$0.4	\$0.7	\$0.7	\$0.9	\$2.7

¹ Effective date of March 1, 2006

² Adjusted for partial year implementation

Title II - Job Opportunity Bank:

Background

The proposed title would establish a Job Opportunity Bank under the general policy guidance and direction of the Workforce Investment Council (WIC). The Bank would be the source of grants and other forms of financial assistance to increase job opportunities and job skills for low-income District residents.

Title II of the Committee Print is the same as Title II addressed in the October 11, 2005 fiscal impact statement. The Job Opportunity Bank would be funded by annual appropriations.

Financial Plan Impact

Funding levels would be determined through the annual appropriations process.

Title III - First Source Agreement Amendment

Background

The proposed title would apply the District's First Source Agreement Amendment Act³ to all recipients of District contract and federal grant assistance from any District agency. In addition, it would extend the First Source requirement to various types of District economic development assistance; institutions which serve as a repository for \$1 million or more of District Government funds; and commercial tenants of real estate resulting from a government-assisted project for a period of five years from the tenant's initial lease. The proposed title also authorizes the Mayor to negotiate increased hiring percentages in certain job categories.

Title III is the same as Title III addressed in the October 11, 2005 fiscal impact statement.

Financial Plan Impact

There is no direct cost to the District's budget and financial plan resulting from Title III.

³ D.C. Official Code § 1-219.01 *et sequitor*.